### **OPEN MEETING AGENDA ITEM**







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AZ CORP COMMISSION DOCKET CONTROL

January 31, 2013

Chairman Bob Stump
Commissioner Gary Pierce
Commissioner Brenda Burns
Commissioner Bob Burns
Commissioner Susan Bitter Smith

RE: Integrated Resource Planning - Docket No. E-00000A-11-0113

### Dear Commissioners:

Tucson Electric Power Company ("TEP" or "Company") submits the following answers in response to Commissioner Pierce's January 11, 2013 letter regarding generating capacity.

Question 1: What is the existing reserve capacity for each load-serving entity, and how does that compare with the reserve capacity for that entity over the past twenty years?

TEP's reserve capacity for 2012 was 12%. For reliability purposes, TEP has generally maintained its operating reserve margins between 7% - 12% over the past twenty years. To put this in context with TEP's load and resources, TEP's system peak load for 2012 was 2404 MW. TEP currently has 2311 MW of generating capacity. Attachment A sets forth a list of TEP's generating sources. During the last 10 years, TEP has relied on the merchant wholesale market for approximately 300 to 500 MW of firm purchased power resources to meet TEP's summer peak. On a system capacity basis, these firm market resources cover approximately 20% of TEP's summer peaking requirements. As part of the Company's on-going hedging practices, TEP firms up its summer capacity requirements with a variety of firm purchased power products from various counterparties prior to the delivery year. Attachment B provides a graph showing TEP's historical loads and resources for the period 1992-2012 and Part 1 of Attachment C provides specific reserve capacity information for the period 1992-2012.

Arizona Corporation Commission
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### Question 2: What are the load-serving entities' existing off-system sales and how do those sales compare with previous sales over the past twenty years?

Please see Line 2 of Attachment C, which sets forth this information for the period 1992-2012.

### Question 3: What is the outlook for off-system sales for each load-serving entity in the future?

Please see Line 3 of Attachment C, which sets forth current estimates for the period 2012-2032.

Question 4: What has been the aggregate capacity factor (actual load served divided by the system load serving capacity) for each load-serving entity over the last twenty years for the following:

- a. at system peak load for the year,
- b. at average load during the peak month,
- c. at average annual load,
- d. at average load during the lowest load month?

Please see Lines 4a-d of Attachment C, which set forth this information for the period 1992-2012.

Question 5: Are there reasons to believe that maintaining and even increasing the existing excess reserve capacity in the short-term will mitigate rate increases in the future when an eventual economic recovery will inevitably increase electric demand?

TEP is actively engaged in the regional wholesale power market and continuously monitors the supply and demand fundamentals for the Desert Southwest region. Based on current market conditions, merchant combined cycle generation assets are valued at a substantial discount to new-build resources. Given TEP's current ability to rely on the wholesale market for short-term power purchases, increasing the existing reserve capacity requirements in the short-term would put upward pressure on customer rates today as current forecasts of retail electricity sales levels remain relatively flat. However, if TEP required more generating capacity in the near future due to projected load growth, reliability requirements or early retirement of a portion of the Company's existing coal fleet, TEP could enter into a long-term power purchase agreement or acquire an existing



merchant plant based on today's asset valuations to potentially mitigate future rate increases for TEP's customers.

I trust the above information addresses your questions. Please contact me if you have any questions or would like additional information.

Sincerely,

Mike Sheehan

Director, Resource Planning

(520) 884-3656

msheehan@tep.com

Michael Shuh

cc: Docket Control (original and 13 copies)

## **ATTACHMENT**

**"**A"

# Tucson Electric Power Company Integrated Resource Planning

Thermal Resources, MW SCE Diversity Exchange, MW	1,952	1,952	1,952 1	1,952	1,992	1,992	1,896		1,904		1,999	1,999	1,999 1							2,249 2,249
Short-Term Market Purchases, MW Firm Resource Capacity, MW	1,952	1,952	1,952	2,062	2,102	2,102			2,214	75 2,184	1	-		2,509	2,664	2,724	400	2,724	2,687	450 450 2,699 2,699
Renewable Resources, Nameplate MW Total Capacity Including Renewables, MW	1,952	1,952	1,952 2	2,062	2,102	2,102	2,106	2,114	2,214	2,184	3,212	2,388	5 2,414 2	5 2,514	5 2,669 2	5 2,729 3	5 2,604	2,729	8 2,695	13 13 2,712 2,712
Fierai Load, MW Fin Wholesale Loads, MW Total Firm Load Obligations, MW	1,399	1,449 213 1,662	1,585 1 221 1,806 1	1,617 194 1,811	1,619 215 1,834	1,659 180 1,839	1,786 186 1,972	1,754 173 1,927	1,862 189 2,051	1,840 167 2,007	1,899 165 2,064	2,060 165 2,225	2,088 2 158 2,246 2	2,225 135 2,360	2,365 7 136 2,501 2	2,386 138 2,524	130	2,354 160 2,514	136	2,334 2,290 133 114 2,467 2,404
Reserve Capacity, MW Reserve Margin, %	424 28%	290	146	251	268 15%	263	134	187	163	177	145	159	163	149	163	200	174	210	218	232
Sales for Resale GWh [1]	1,850	1,926	1,946	1,802	2,684	2,581	3,585	4,297	4,976	5,910	3,549	2,166	2,162	3,277	3,717	3,948 4	4,471	3,794	7,927	2,697 3,139
Economy Sales from System Resources, GWh (2)	<b>2012</b> 1328	<b>2013</b> 1135	2014 2 1592	<b>2015</b> 1939	<b>2016</b> 2250	<b>2017</b> 2409	<b>2018</b> 2119	<b>2019</b> 2357	<b>2020</b> 1338	<b>2021</b> 1125	<b>2022</b> 1369	<b>2023</b> 1269	2024 2 1056	2025 2 614	<b>2026 2</b> 526	<b>2027</b> 450	<b>2028</b> 419	389	<b>2030</b> 2	<b>2031 2032</b> 337 313
firn Resource Capacity (Peak Month), MW Firm Resource Capacity (Non Peak Month), MW	199 <b>2</b> 1,952 1,952	<b>1993</b> 1,952 1,952	1,952 1,952 1,952	1 <b>995</b> 2,062 1,952	1996 2,102 1,992	<b>1997</b> 2,102 1,992	1998 2,106 1,896	<b>1999</b> 2,114 1,904	<b>2000</b> 2,214 1,904	<b>2001</b> 2,184 1,999	<b>2002</b> 2,209 1,999	<b>2003</b> 2,384 1,999	2004 2 2,409 2 1,999 1	2005 2,509 1,999	2,664 2 2,189 2	2007 2,724 2,199	<b>2008</b> 2,599 2,199	<b>2009</b> 2,724 2,224	2010 2,687 2,237	2011 2012 2,699 2,699 2,249 2,249
System Peak (Month-Year) Peak Demand (MWV) Peak Hour Capocity Factor (3)	08-1992 08 1,528 1 78%	1993 ,662 85%	06-1994 08 1,806 93%	08-1995 07 1,811 88%	07-1996 8 1,834 87%	8-1997 7 1,839 87%	7-1998 7 1,972 94%	7 <b>-1999 0</b> 8 1,927 91%	08-2000 0 2,051 93%	<b>09-2001 0</b> 8 2,007 92%	06-2002 0 2,064 93%	08-2003 08 2,225 93%	08-2004 07 2,246 2 93%	<b>07-2005 07</b> 2,360 94%	<b>07-2006 07</b> 2,501 3 94%	<b>07-2007 06</b> 2,524 93%	06-2008 08 2,425 93%	08-2009 07 2,514 92%	07-2010 06 2,469 92%	06-2011 08-2012 2,467 2,404 91% 89%
Average Load Served for the Peak Month Average Capacity Factor Including Resale (4)	1,276 63%	1,356 69%	1,371	1,438	1,538	1,629	1,959	1,830	2,086 94%	1,964	1,893	1,658	1,676 1	1,964	1,908	2,029	2,357	2,080	2,069	1,861 69%
Average Load Served for the Peak Month Average Capacity Factor Excluding Resale {5}	950	995	1,043	1,121	1,185	1,162	1,214	1,166	1,242 56%	1,236	1,263 57%	1,341 56%	1,339 1	1,664	1,552	1,525	1,472 57%	1,533	1,527	1,379
Average Load Served for the Year Including Resale Average Annual Capacity Factor (6) Total Load including Resale	1,037	1,134	1,218 62%	1,131	1,302 65%	1,338	1,478	1,579	1,721	1,853	1,520	1,418	1,452 1	1,615	1,696	1,781	1,815 83%	1,676	1,620	1,589
Average Load Served for the Year Excluding Resalc Average Annual Capacity Factor (?) Total Ioad Excluding Resale	794 41%	813	860	866	917	935	951	970 51%	1,002	1,026	50%	1,026 51%	53%	1,243	1,294	1,154	1,151	1,146	1,130	1,131 1,173 50% 52%
Lowest Load Month (Month-Year) Average Load Served Lowest Load Month (include Resale) Minimum Month Capacity Factor incl. Resale (8)	<b>02-1992 03</b> 925 47%	1993 970 50%	03-1994 02 1,114 57%	02-1995 0: 1,011 52%	03-1996 11 1,084 54%	11-1997 11 1,326 67%	11-1998 0 1,373 72%	<b>03-1999 0</b> 1,342 70%	<b>02-2000 0</b> 1,544 81%	<b>03-2001 0</b> 1,549 77%	03-2002 0 1,221 61%	01-2003 01 1,241 62%	01-2004 03 1,339 3	03-2005 02 1,337 67%	02-2006 02 1,593 73%	<b>02-2007 03</b> 1,714 78%	<b>03-2008 03</b> 1,515 69%	03-2009 0: 1,382 62%	03-2010 11 1,338 60%	11-2011 3-2012 1,498 1388 67% 62%
Average Load Served Lowest Load Month (Excluding Resale)	569	693	713	740	767	808	196	839	857	856	824	819	688	1,048	1,108	686	932	935	786	936

- Notes:

  (1) Data Source, TERC Form 1 (Sales for Resale, Account 44.) Based on aggregate system sales and includes sales transactions not sourced out of TEP's resource capacity.

  (2) Data Source, 2012 TEP Planning Forecast. Only includes sales sourced out of TEP's resource capacity.

  (3) Peak Deamand Excluding Resale (Peak Month MW) / Firm Resource Capacity (Peak Month MW)

  (4) Average Demand Excluding Resale (Peak Month MW) / Firm Resource Capacity (Peak Month MW)

  (5) Average Demand Excluding Resale (Peak Month MW) / Firm Resource Capacity (Inon Peak Month MW)

  (6) Average Annual Demand Excluding Resale / Firm Resource Capacity (Inon Peak Month MW)

  (8) Average Demand Excluding Resale (Firm Resource Capacity (Inon Peak Month MW))

  (9) Average Demand Excluding Resale (Lowest Month MW) / Firm Resource Capacity (Inon Peak Month MW))

## **ATTACHMENT**

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# Tucson Electric Power Company Integrated Resource Planning

805 805	<b>102/41974</b> 925 47%	704 41%	1,037 53%	ივი კივ	1,206 6394	<b>.182.997.</b> 1.528 78%	1.952 1.952	1328	1.850	421 28%	1,399 1,29 1,528	1.952	1.957	1,057
803 803	<b>収費記述権政権政策監察が成成する。 975 の76 1.114 1.071 1.084 1.226 1.373 1.378</b> 978 979 1.114 1.071 1.084 1.226 1.373 1.378 978 507- 57% 524 51% 67% 72% 70%	\$2% \$2%	1,130 58%	:5 20 17:50	%.69 1.368	1,652 1,662	(1992年) (1993年) (1994年) (1994	1328 1135 1592	1.026	790	1,449 213 1,662	1,057	L 05.2	1,952
37%	1.1114 S7%	\$60 44%	1218 817.1	1.043 \$3%	%002 173. i	%£6 906T <b>7751E</b> 10	1,952 1,952	<b>2014.</b> 1592	1,946	80%	1,585 221 1.806	1.052	1,952	1.052
740	75.55 11011 11011	865 44%	1.131 58%	1.171 54%	1,438 70%	7,585 11,811 <b>566 F80</b>	2 062 1.952	<b>2019</b> 1939	1.802	751	1.617 194 1.811	2,067	2,062	01.1 2.56 <sup>1</sup> L
387%	1.084 54%	417 46%	1, 3/12 65%	1.185 56%	1,538 73%	<b>07-4996</b> 1-834 87%	<b>1996</b> 3,362 1,992	2015 2016 2017 2018 2019 2010 2010 2010 1939 2250 2409 2119 2007 1338 1125 1069	2.684	258	1.619 215 1.834	2,302	2,102	01.1 266'f
808	1.326 67%	935 47%	1,338	1,162	1,620	<b>8 1997.</b> 1,839 87%	, <b>(197)</b> 2,102 1,992	<b>2014</b> 2409	2, = 81	263 14%	1,659 180 1,839	2,102	2.102	1,992
795. 795.	1,373 7,2%	20.5 32.1	1,478 78%	1,714 58%	1,959	7 <b>./1998</b> 1,072 94%	1,898 1,896	2018 2119	3,585 5	13.4 7°5	1.786 186 1.972	2.106	1 03	1,205
98 35	707 1717	2020	1,570	40.7	200	%) 1,277 1,277	<b>1599.</b> 2,114 1,904	2 <b>019 u</b> 2357	4.797	10 70	1.754 173 1.937	2114	2,114	011 Pu6'1
847 784	%18 17877 1000/77	1.002 53%	1,721	1,242	9540 960 C	2,051 2,051 5,3%	.1998; 2007. 2.114 2.214 2.184 2.209 1.904 1.904 1.999 1.999	8551 <b>(0202</b> 4)	1.076	163	1.852 189 2.051	2.214	2,214	1.904 110
856	1,549 77%	1.026 51%	1,853	1,236 57%	1.964 90%	<b>09-2001</b> 2,007 9,2%	2 <b>001.</b> 2.184 1.999	2 <b>1021</b> 1125	5,919	177	1,840 167 2,007	2.184	2,184	1,999
824	1,221 1,221	904 50%	1,520 76%	1,263 57%	1.893 86%	<b>06-2002</b> 2,064 93%	<b>2002),</b> 2,209 1,999	2022 7.50%	3,549	79%	1.899 165 2,064	2,212	2,209	1,999
618	11.241 1.241 62%	1.025 51%	1.418 71%	1,341 56%	1,658 70%	03-2002 2,225 93%	2003 2.384 1.999	<b>2023</b> 1269	2,166	159	2,060 165 2,225	2,388	275	110
929	1,339 67%	1.05? \$3%	1_452 73%	1.339	1,676 70%	<b>08-2007</b> 7.246 93%	2004 2,409 1,999	<b>2023 2024</b> 1269 1056	2,162	7%	2,088 158 2,246	2.114	2,409	110
1,048	1.337 67%	1,243 62%	818 C912	1,664 66%	1,964 78%	<b>07,21005</b> 2,360 94%	<b>2008</b> ; <b>2006</b> ; 7.509 2,564 1,999 2,189	<b>2025</b> 614	3,277	1/4° 5%	2,225 135 2,360	2,514	2.509	1.999
1,108	1,593 7,3%	1.294 50%	77%	1,552 58%	1,908 72%	07-2008 2.501 94%	<b>2006</b> , 2,664 2,189	<b>2026</b> 526	3,717	163 734	2,365 136 2,501	2,669	475 2,661	7,189
939	1,/14 1,/14 78%	1.154	1.781	1.525 \$6%	2,029 74%	<b>97,2307</b> 2,524 93°5	<b>2007.</b> 2,724 2,199	<b>2027</b> 450	3,948	200 8%	2,386 138 2,524	2,729	525 2.724	2,199
932	<u>は発われの成立をおいませまれた。</u> 1,312 1,520 1,531 1,5	1,151 52%	1,815 83%	1,472 57%	2.357	<u>は長年日本地の東日本地の日本日本の日本日本日本日本日本本本日の日本大学日本日本日本日本日本日本日本日本日本日本日本日本日本日本日本日本日本日本</u>	2007. "2008], 3.30 2,724 2,599 2, 2,199 2,199 2	<b>2026 2027 2028 3</b> 526 450 419	4,471	174 7%	2.295 130 2,425	7,60.1	400 2,599	2,199
935	12.7% 1.387	1,146 52%	1.676 7576	1 533 56%	2,080 76%	01521110 2.514 92%	2,724 2,324 2,324		3, 794	510 510	2,354 160 2,514	3,329	500 2.724	2.224
987	<mark>例如<b>建</b>有<b>00</b>(<b>译的(张度</b>0<b>))</b> 882 1.38 1.498 1388 974 60% 67% 67%</mark>	1.130 51%	1,670 77%	57%	27% 2060	<b>0.200 (0.8</b> 2,460 92%	119 - 2010 - 2011 - 201	<b>155</b>	2,927	218 9%	2,333 136 2,469	7,695	2,687	2,237
936	1,448 1,448	50%	1 589 71%	1 179	1.961	%16 2,467 <b>10,440</b>	2011 2,699 2,249	337	2,697	232	2,324 133 2,467	2.712	450 2,699	7,249
975	\$25.8 \$35.1 <b>(410.2</b> )	55.65 Ed11	1,590 30%	25 × 55	\$259 6531	<b>2 4</b> 04 <b>2 4</b> 04 89%	2,499 2,499 2,249	200	3,139	295	2,290 114 2,404	2.312	569°2 0av	2,249

Minimum Month Capacity Factor excl. Resale (9) Average Foad Served Fowest Load Month (Excluding Resale) Minimum Month Capacity Factor Incl. Resale (8) 4 d. Lowest Load Month (Moath-Year)

Average Load Served Lowest Load North (include Resale)

total Load Excluding Resale

Average Annual Capacity Factor (7) Average toad Served for the Year Excluding Resale total Load including Resale

Average Annual Capacity Factor (b)

Average Load Served for the Year Including Resale Average Capacity Lactor Excluding Resale (5) Average Load Served for the Peak Month

Average Capacity Factor Including Resale (4)

Average Load Served for the Peak Month

System Peak (Month-Year)

Firm Resource Capacity (Mon Feak Month), MW

Firm Resource Capacity (Peak Month), MW

Peak Hour Capacity Lactor (3)

Economy Sales from System Resources, GWh (2)

Sales for Resale (1991) (1)

Roserve Margin, 😘

Reserve Capacity, MW

Total Linn Load Obligations, MW

hirm Wholesale Loads, MW Retail Load, MW Total Capacity Including Renewables, NIVE

Renewable Resources, Nameplate MW

Thermal Resources, MW

SCE Diversity Exchange, MW

Firm Resource Capacity, MW Short Term Market Burghases, MW

- (1) Data Source, EBR Form 1 (Sales ha Resale, Account 407). Based on aggregate system sales and includes sales transactions not sourced out of 1EP's resource capacity.

  (2) Data Source, 2012; IEP Haming Forecast, Colly includes sales sourced out of 1EP's resource capacity.

  (3) Pack Demand Exchiding Resale (Pack Abouth Falva) / Tirm Resource Capacity (Peak Month Palva).

  (4) Average Demand Excluding Resale (Peak Abouth Ralva) / Tirm Resource Capacity (Peak Month Adva).

  (5) Average Annual thermord Excluding Resale (Peak Abouth Ralva) / Tirm Resource Capacity (Teak Month Nalva).

  (7) Average Annual Demand Excluding Resale / Tirm Resource Capacity (Mon Feak Month Nalva).

  (8) Average Annual Demand Excluding Resale / Tirm Resource Capacity (Mon Feak Month Nalva).

  (9) Average Demand Capacity (Sales (Towers Month Ralva). / Tirm Resource Capacity (Mon Feak Month Nalva).